



SUMMARY: R&D Tax Incentive Roundtable

Meeting	R&D Tax Incentive Roundtable		
Meeting Date	23 July 2019	Start Time: 2:00pm	End Time: 4:00pm
Co-Chairs	Joanne Mulder (Department of Industry Innovation and Science) Jamie Munday (Ernst & Young)	Secretariat	DIIS
Attendees	Scott Treatt (Australian Taxation Office) Marlene Kanga AM (R&D Tax Incentive Committee Chair) David Gelb (KPMG) Jason Dunnachie (Deloitte) Sophia Varelas (PricewaterhouseCoopers) Nicola Purser (BDO) Gary Shapiro (Rimon Advisory) Leigh Conlan (CPA Australia) Paul McCartin (The Tax Institute) Matthew Wenham (Academy of Technological Sciences and Engineering) Alex McCauley (StartupAus) Judy Anderson (Research Australia) Liz Eedle (Universities Australia) Matthew Brown (Group of Eight) Kimberley Simpson (Cochlear) Anna Schulze (CSI) Rebecca Schot-Guppy (FinTech Australia)		
Apologies	Ron Gauci (Australian Information Industry Association) Rod Marshall (Telstra)		
Guest Speakers	Charlie Day (Office of Innovation and Science Australia)		

Agenda Items	Presenter(s)	Chair
1. Welcome 1.1. Finalised Terms of Reference	Joanne Mulder (DIIS) / Scott Treatt (ATO)	Jamie Munday
2. Update on State Reference Groups (SRGs)	Joanne Mulder (DIIS)	Joanne Mulder
3. Brief update from panel members on R&D in their areas 3.1. Universities Australia 3.2. Research Australia 3.3. Group of Eight (Go8) 3.4. Academy of Technological Sciences and Engineering (ATSE)	Industry Associations	Joanne Mulder
4. Presentation: “Understanding Business Investment in Innovation”	Charlie Day (ISA)	Jamie Munday
5. Software and RDTI	All Panel Members	Joanne Mulder
6. Consultation with Roundtable 6.1. Substantiation/Record Keeping 6.2. Registration Form 6.3. Guide to Interpretation	Joanne Mulder (DIIS) / Scott Treatt (ATO)	Joanne Mulder
7. Any outstanding items and close	Joanne Mulder (DIIS) / Scott Treatt (ATO)	Joanne Mulder
Meeting Close		

Action Items From Previous Meetings	Ownership	Due Date	Status
Provide “registration numbers and expenditure” presentation to panel members	DIIS	March 2019	Closed
Provide feedback on the draft terms of reference for the R&D Tax Incentive Roundtable	All Panel Members	March 2019	Closed
Add “software development” to the agenda for the next Roundtable meeting	Secretariat	July 2019	Closed
Add “the registration form” to the agenda for the next Roundtable meeting	Secretariat	July 2019	Closed
Determine co-chair arrangements for the next Roundtable meeting	Secretariat	July 2019	Closed
Provide an update on guidance products in development by the ATO	ATO	TBC	Open

1. Opening and Welcome

Action Items from March Roundtable

- Jamie Munday from Ernst and Young volunteered to co-chair the July Roundtable.
- The “registration numbers and expenditure” presentation was published on business.gov.au with the March Roundtable Summary.

Finalised Terms of Reference

- Some Panel Members provided their views on the draft R&D Tax Incentive Roundtable Terms of Reference after the March meeting.
- These views were considered in preparing the finalised Terms of Reference.
- The Terms of Reference have now been finalised and will be published on business.gov.au.

2. Update on State Reference Groups (SRGs)

- The SRGs were held in NSW, VIC, QLD, SA and WA throughout May/June.
- The new format of the SRGs provides the opportunity for attendees to have a two-way conversations with DIIS/ATO and encourages open discussion on the agenda items for each meeting.
- The agenda for the SRGs followed the Roundtable Agenda, with attendees meeting with DIIS and the ATO to discuss.
- The general feedback received from the SRGs reciprocated feedback initially provided in the first Roundtable.
- SRGs will follow the Roundtable schedule, with more to take place later this year.
- A summary of outcomes discussed at the SRGs will be published on business.gov.au.

3. Update from Panel Members

Key points raised by panel members from industry associations included:

- Some industry members raised that Australia’s expenditure on R&D is below the median OECD level.
- Industry members provided an overview of their sectors and environment and commented on some of the policy aspects of the program.
- All agreed that levels of collaboration between industry and universities is of high importance and that the data doesn’t always accurately reflect what is occurring.
- Industry members would like to see more data on the program, including statistics on sector performance in the program.
- It was noted that the Roundtable was a forum to discuss administration issues, rather than the policy settings.

4. Presentation from Innovation and Science Australia (ISA) - “Understanding Business Investment in Innovation”

Dr Charlie Day (Office of Innovation and Science Australia) led a discussion drawing on early findings from a current ISA project on understanding business investment in innovation. The points from this discussion included:

- Dr Day explained that the purpose of the project was focused on capturing current trends in business investment in innovation and understanding the blockages and drivers around that investment.
- It was noted that Business Expenditure on Research and Development (BERD) has dropped by 30% since the Global Financial Crisis in 2008. This is largely attributable to the decline of the mining boom and structural shifts in the economy (e.g. Activity in manufacturing has reduced while activity in services has increased).
- Panel members made the following comments:
 - Uncertainty around the consistency and longevity of innovation program policy was seen as a key barrier to business investment in innovation.
 - Businesses now consider incentives and grant support when doing business planning, whereas this was less common ten years ago.
 - Some Australian firms are locating innovation activities overseas in order to access highly skilled labour, in a trend that is also exacerbated by uncertainty around the R&D Tax Incentive. The relative attractiveness of R&D Tax Incentives between countries is also a consideration for geographically dispersed firms that are considering where to undertake innovative work.

5. Software and the R&D Tax Incentive

- DIIS raised Software eligibility in the R&D Tax Incentive, to continue the discussion from the March Roundtable.
- DIIS asked panel members to provide feedback on how the Software Guidance has been received and utilised by businesses since its release in February 2019.
- Panel members made the following comments in response:
 - The eligibility of software activities in the R&D Tax Incentive is considered to be one of the biggest issues facing the Technology Start-up and Fintech sectors.
 - DIIS clarified that the eligibility of the program has not changed.
 - Some members expressed that the lack of clarity on the eligibility of software activities in the program is a deterrent from applying, as the risk of being found non-compliant is too high for the companies involved.
- Panel members asked if there has been an increase in assessing applications claiming software activities in the past 12 months.
 - DIIS confirmed that the risk-based approach to compliance has not changed to focus on Start-up and Software activities.
- Panel members commented that it would be beneficial to focus on having more positive examples of eligible software activities to refer to as guidance for the program.
 - DIIS agreed and commented that it would continue to explore how best to present its guidance materials and the examples used in those guidance materials.

- DIIS asked the panel members to consider how they can work with DIIS and the ATO on clarifying and understanding the eligibility of software activities in the program.
 - Panel members asked about the setting up workshops as was mentioned in the March Roundtable.
 - § DIIS clarified that additional guidance and materials were something that could be explored through workshops.
 - § DIIS also clarified that this item was not about revisiting the current guidance material.
 - Panel members also raised the possibility of anonymously publishing negative findings on program applications as guidance.
 - § DIIS commented that it would be something they could look into, but they have to be cautious when publishing company information, even when published anonymously.

6. Roundtable Consultation

Substantiation/Record Keeping

- ATO and DIIS have been noticing a number of matters where sufficient evidence of activities taking place and expenditure incurred on eligible registered activities is not being presented.
- ATO and DIIS need to observe accurate records have been kept to determine eligibility of activities, including the incurred expenditure, to ensure the integrity of the program.
- The ATO reminded the panel members of legislative requirements to maintain records and specific R&D court and AAT cases where requirements for record keeping have been clearly articulated.
- The ATO and DIIS are looking at what guidance they have available to businesses around keeping evidence of activities and what guidance may need to be developed.
- The ATO asked panel members to consider what additional support to businesses is needed on the requirements when keeping records for the program.

Registration Form

- The registration form for the program is being redesigned.
- DIIS conducted user research to learn about applicant's current experiences when registering for the Research & Development (R&D) Tax Incentive
- The redesigned registration form will be web-based and include simple, targeted questions to provide clarity on the type of information that businesses need to provide.
- DIIS is interested in getting panel members feedback on the main points identified and any additional feedback they have.

Guide to Interpretation

- The Guide to Interpretation was last revised in 2016 so its content is being reviewed.
- The review is being done to provide more clarity on the content, make it more accessible and more user-friendly for businesses.

- DIIS are interested in getting panel members views on the current Guide to Interpretation and what they would like to see included in a refreshed Guide.
 - Panel members asked that the channels for engaging on the Guide be circulated via email after the meeting.

7. Outstanding Items and Close

- Panel members asked how the current program statistics are trending.
 - Due to the timing of the income year, final figures for 17/18 are not yet available. These figures will be available at the November Roundtable.
- Next meeting will be in November 2019

Action Items	Ownership	Due Date
Publish finalised Terms of Reference on R&D Tax Incentive Roundtable webpage	DIIS	August 2019
Provide feedback channels for the Guide to Interpretation, Registration Form and Record Keeping to panel members	DIIS/ATO	August 2019
Provide data on 2017/18 registration numbers in the program	DIIS	November 2019
Determine co-chair arrangements for the November Roundtable	Secretariat	November 2019
Provide an update on guidance products in development by the ATO	ATO	TBC

-- End of summary --